

CITY AUDITOR'S OFFICE



AUDIT OF FINANCE & BUSINESS SERVICES ACCOUNTING DIVISION CITYWIDE TRAVEL

Report No. CAO 0602-0708-03

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**AUDIT OF
FINANCE & BUSINESS SERVICES
ACCOUNTING DIVISION
CITY WIDE TRAVEL
CAO 0602-0708-03**

BACKGROUND

Finance and Business Services processes the travel expenses for the City of Las Vegas. Travel related transactions are expenses paid for business trips, mileage and registration fees. Finance and Business Services processed approximately 3,000 travel related transactions. An individual travel claim can have multiple transactions. All the 2006 calendar year travel related expenses were over \$922,000.

Travel and travel expense reimbursements are governed by:

- Travel Policy (FN201.1) and Procedures (FN201a.1)
- Travel Card Policy (FN202)
- Entertainment and Gift Expenditure Policy (FN203)
- Local Mileage Reimbursement Policy (FN205) and Procedures (FN205a)

OBJECTIVE

The audit objectives were to ensure that:

- Current policies and procedures have been established in accordance with applicable guidelines.
- Processing and monitoring procedures are in place to prevent abuses.
- Management controls are adequate and operating as intended.

SCOPE AND METHODOLOGY

The scope of this audit was limited to an evaluation of the City's travel expense reimbursement program and a review of selected travel claims. Calendar years 2005 and 2006 data were reviewed, but audit sample selection was confined to 2006 data. Audit software was used to obtain various audit samples using data mining audit techniques. We reviewed 130 travel claims in complete detail. These travel claims totaled about \$125,000 (13.5%) in travel expenses. The review included not only random selection, but also the selection of other expense categories. Data analysis of selected expense categories produced items for review. The scope of our work on internal control was

limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Researching applicable policies, procedures and guidelines
- Interviewing applicable city personnel
- Performing various audit extracts and analysis of data
- Testing established management controls

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

Current policies and procedures are established in accordance with applicable guidelines.

Processing and monitoring procedures are in place to prevent abuses. Travel claim approval and processing is handled in a professional and timely manner by Finance and Business Services. Business Services properly follows City travel policy and procedure in validation and payment of travel related expenses.

Management controls are adequate and operating as intended. There were only four line item errors found in the review of travel claims and the total dollar amount was very insignificant.

In general:

- City of Las Vegas employees were generally reasonable and prudent in the use of City resources for business travel.
- Most of the transactions were properly completed, approved, and supporting documentation attached.
- As noted in Finding 1 Travel Policy and Procedure Exceptions. Our audit identified issues management should address related to situations where the interpretation of policy and procedures are based on judgment and individual interpretation. Identified improvements in existing travel policies would standardize policy and procedure and help to eliminate individual interpretations.
- As noted in Finding 2 Travel Cards. Our audit identified where travel cards were used for personal expenses.

- As noted in Finding 3 Mileage Expense Submissions. Our audit identified where better use of fleet vehicles may be considered and insurance requirements for personal vehicles may not be met.

Findings and recommendations summarized in this section are identified issues management should address relating to Citywide Travel. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. Travel Policy and Procedures Exceptions

All the following items are grouped together because the same recommendation and corrective course of action apply.

Criteria:

A. Travel Procedures FN201a.1 states:

The City Manager is the Approving Authority for elected officials and employees at the Department Director level and above. The City Manager is also the Approving Authority for staff travel outside of Nevada.

A Department Director or Division Manager is the Approving Authority for employees under their chain of command.

B. Travel Procedures FN201a.1 states:

Submitting completed Expense Report within 10 working days returning to Las Vegas.

C. Travel Policy FN201.1 states:

The City shall reimburse Travelers for reasonable and prudent expenses incurred while on business travel.

D. Travel Policy FN201.1 states:

The Traveler's M&IE per diem allowance will be reduced by the following amounts when meals are provided, such as when they are included as part of a conference, registration fee or provided by the Legislative Lobby Team.

E. Travel Policy FN201.1 states:

Travelers may use a rental car when authorized by the Approving Authority because it is:

- Necessary for conducting City business
- Costs less than the total cost of other local transportation (shuttle bus, taxi)

Conditions:

- A.** There were 14 examples where the required chain of command approvals were not completed or followed as written in the travel procedures.
- B.** There were numerous examples where travelers did not perform the submission of completed travel paperwork within the stated timetable.
- C.** There are stated guidelines to help clarify what is reasonable and prudent. Guidelines are subject to different interpretations by different individuals. Found 11 examples were a different interpretation of what is “reasonable and prudent” could be used. There were another 12 examples where more detailed notes of explanation would have provided a different interpretation.
- D.** There were travel claims that did not provide complete seminar/conference details with the travel expense statement. Without proper documented details, travel review cannot take place in an efficient and timely manner.
- E.** During the review of travel claims, examples of car rentals were found which may have been more expensive than local transportation. Without complete and documented explanations as to why the expense incurred it is not possible to effectively monitor for possible abuse.

Causes:

- A.1.** The noncompliance ranged from an individual who did not follow the chain of travel approval to a department’s policy not to follow the approval chain regarding out of state travel.
- A.2.** The City Manager’s approval in several cases was not submitted by the traveler.
- B.** Travelers did not follow travel policy. The City prepays most travel expenses. There are little incentives for individuals to file their travel claims in a timely manner.
- C.** Travel guidelines are subjected to interpretations. Reasonable and prudent expenses have not been clearly defined in the policy and procedures.
- D.** The traveler is not providing adequate seminar/conference per diem documentation.
- E.** Travel guidelines are subjected to interpretations.

Effect:

Current Travel Policy and Procedures provide a good basis for travel expenses. Guidelines are subjected to individual interpretation which in turn could be costly to the City.

Recommendation

Definitive statements should be made as to what is allowed or not. Without definitive statements even an effective monitoring program cannot prevent different interpretations of policy. Updating travel policy and procedures would allow the current monitoring system to become a basis for corrective action of errors found during the travel claim review process. Each travel claim should have self explanatory documentation.

2. Travel Cards

Criteria:

Travel Card Policy FN202 states:

Since a Travel Card is for business travel and not intended for personal use, the credit rating of the individual Cardholder is not affected.

The Travel Card may be used for: Transportation, Lodging, Car Rentals, Conference Registration, Meals – reimbursement will be at the applicable per diem rate, Cash Advances.

Condition:

During the audit three individuals used the card for non business travel items. They included local restaurant charges, local gas purchase, and out of town personal expenses. None of these expenses were submitted for travel reimbursement. The assigned individual is totally responsible for all charges and fees to their assigned travel card.

Cause:

The travel card was used for personal purchases.

Effect:

Travel policy as written is not being followed.

Recommendation:

Travel Card Policy should be rewritten to allow these other expenses or action should be taken to inform the individuals that expenses, even if personally paid, are not allowed.

3. Mileage Expense Submissions

Criteria:

Local Mileage Reimbursement Policy FN205 states:

City vehicles should be used for local business travel when possible. Use of a personal vehicle for local business travel may be authorized only if the following requirements are met:

- The employee possesses a valid driver's license, and
- The employee possesses private insurance coverage at the level of at least 100/300/50 and lists the City as an "additional insured" on their private vehicle's insurance policy
- The Approving Authority determines a City fleet vehicle is not available or that mileage reimbursement is more efficient and cost effective than using a fleet vehicle.

Conditions:

The City of Las Vegas fleet services maintains automobiles for business use, by any City employee. Vehicles are also maintained for a department's use only.

There was a prior audit report on fleet services. That audit found that fleet vehicles were being underutilized. It costs the City money by paying mileage for use of personal vehicle and having fleet vehicles idle.

Mileage Reimbursement expenses for calendar year 2006 amounted to \$27,322. There were 102 individuals who submitted claims. Forty-two of these individuals (41%) accounted for \$23,743 (87%) of the total expense.

There is no effective mechanism in place for monitoring that the employee possesses private insurance coverage at the level of at least 100/300/50 and lists the City as an "additional insured" on their private vehicle's insurance policy.

Cause:

The City does not enforce employees to use City fleet vehicles. City employees do not actively seek out City fleet vehicles.

Effect:

City resources are not being used in the most cost effective manner.

Recommendation:

1. Employees should be required to use a City vehicle for local travel. The use of a personal vehicle for City business should be restricted to when a City vehicle is unavailable, not for the convenience of the employee. There should be documentation as to why a City vehicle was not used on all the mileage reimbursement forms.
2. As stated in policy, no mileage reimbursement should be given until the required insurance coverage can be verified on the employee private vehicle.

MANAGEMENT RESPONSES

1. Travel Policy and Procedures Exceptions

Recommendation

Definitive statements should be made as to what is allowed or not. Without definitive statements even an effective monitoring program cannot prevent different interpretations of policy. Updating travel policy and procedures would allow the current monitoring system to become a basis for corrective action of errors found during the travel claim review process. Each travel claim should have self explanatory documentation.

Management Plan of Action:

1. Travel Policy and Procedures Exceptions
 - a. Travel policies and procedures will be reviewed and revised to address any areas that require clarification.
 - b. Some of the specific areas that were identified in the audit such as proper approvals, submitting completed expense reports within 10 working days and reducing per diem for meals provided at the conference, have already been addressed procedurally in Finance.

Estimated Date of Completion: November 15, 2007

2. Travel Cards

Recommendation:

Travel Card Policy should be rewritten to allow these other expenses or action should be taken to inform the individuals that expenses, even if personally paid for, are not allowed.

Management Plan of Action:

2. Travel Cards
 - a. A quarterly review of travel card charges will be completed to identify personal charges on the card.
 - b. Travel policies and procedures will be reviewed and revised to detail the process and the actions taken when travel cards are used for personal business.

Estimated Date of Completion: November 15, 2007

3. Mileage Expense Submissions

Recommendation:

1. Employees should be required to use a City vehicle for local travel. The use of a personal vehicle for City business should be restricted to when a City vehicle is unavailable, not for the convenience of the employee. There should be documentation as to why a City vehicle was not used on all the mileage reimbursement forms.
2. As stated in policy, no mileage reimbursement should be given until the required insurance coverage can be verified on the employee private vehicle.

Management Plan of Action:

3. Mileage Expense Submissions
 - a. Criteria will be developed based on a cost/benefit analysis and be used to do an annual review of usage to determine if it is cost effective to assign a fleet vehicle to an employee or specific location.
 - b. The policy will be reviewed to determine if a revision to insurance requirements are warranted. The review of the policy will be completed by Finance utilizing the expertise of the risk management section of the Human Resources Department.

Estimated Date of Completion: November 15, 2007